

OLIVET COLLEGE
REPORT ON FINANCIAL STATEMENTS
(with additional information)
YEARS ENDED JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Olivet College

We have audited the accompanying statements of financial position of Olivet College as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Olivet College as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of Olivet College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Maner, Costerisan & Ellis, P.C.

September 26, 2008

OLIVET COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Cash	\$ 207,487	\$ 132,211
Cash and equivalents held for investment purposes	206,659	291,621
Cash and equivalents invested for comprehensive campaign	854,465	1,120,792
Total cash and cash equivalents	1,268,611	1,544,624
Student accounts receivable (less allowance of \$545,279 in 2008 and \$361,686 in 2007)	573,592	701,999
Other receivables	173,406	64,736
Due from federal and state governments	25,780	53,100
Inventory - maintenance supplies	177,400	155,382
Inventory - bookstore	170,853	185,869
Deposits, prepaid expenses and other assets	27,490	27,490
Pledges receivable (less allowance of \$31,000 for 2008 and \$55,000 for 2007)	263,521	976,999
Federal student notes receivable (less allowance of \$323,000 for 2008 and \$325,000 for 2007)	1,620,947	1,633,393
Land, buildings and equipment - net of accumulated depreciation	22,768,223	18,557,004
Investments	9,433,438	11,757,189
Beneficial interest in split-interest agreements	2,908,131	3,124,316
Deferred loan issuance costs (net of accumulated amortization of \$110,602 and \$91,874, in 2008 and 2007, respectively)	186,065	204,793
Total assets	<u>\$ 39,597,457</u>	<u>\$ 38,986,894</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable - trade	\$ 523,721	\$ 623,268
Accounts payable - construction	1,029,647	-
Accrued compensation and other liabilities	600,802	638,699
Accrued interest payable	17,254	80,795
Student deposits	288,367	193,781
Short-term note payable	4,890,000	5,143,000
Contract - Chartwell	800,000	900,000
Federal student loan payable	1,614,297	1,623,322
Long-term debt	7,233,898	7,634,737
Long-term debt due in one year	664,680	820,140
Liabilities under split-interest agreements	580,044	655,136
Liabilities under gift annuities	121,863	103,790
Total liabilities	18,364,573	18,416,668
Net assets:		
Unrestricted	6,108,617	2,373,487
Temporarily restricted	2,486,357	5,470,241
Permanently restricted	12,637,910	12,726,498
Total net assets	21,232,884	20,570,226
Total liabilities and net assets	<u>\$ 39,597,457</u>	<u>\$ 38,986,894</u>

See notes to financial statements.

OLIVET COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008

	Year ended June 30, 2008				Year ended June 30, 2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:								
Tuition and fees	\$ 17,437,128	\$ -	\$ -	\$ 17,437,128	\$ 17,451,426	\$ -	\$ -	\$ 17,451,426
Less: Scholarships and other student aid	7,272,690	-	-	7,272,690	7,853,477	-	-	7,853,477
Net tuition and fees	10,164,438	-	-	10,164,438	9,597,949	-	-	9,597,949
Comprehensive campaign net contributions	-	3,372,634	-	3,372,634	-	2,388,430	60,000	2,448,430
Contributions - annual fund	422,847	460,477	-	883,324	585,150	422,604	-	1,007,754
Contributions and bequests	190,234	-	52,505	242,739	84,766	-	116,963	201,729
Governmental grants and contracts	34,918	-	-	34,918	182,932	-	-	182,932
Interest and dividends	49,173	251,142	-	300,315	88,469	104,997	-	193,466
Realized and unrealized gain (loss) on investments	(23,366)	(1,885,505)	-	(1,908,871)	20,213	1,697,546	-	1,717,759
Change in split-interest agreements	-	-	(141,093)	(141,093)	-	-	241,377	241,377
Miscellaneous income	297,322	341,566	-	638,888	301,606	297,145	-	598,751
Auxiliary revenue	4,125,653	-	-	4,125,653	4,309,036	-	-	4,309,036
Assets released from restrictions	5,524,198	(5,524,198)	-	-	1,477,718	(1,477,718)	-	-
Total revenue	20,785,417	(2,983,884)	(88,588)	17,712,945	16,647,839	3,433,004	418,340	20,499,183

See notes to financial statements.

	Year ended June 30, 2008				Year ended June 30, 2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Instruction	\$ 4,831,731	\$ -	\$ -	\$ 4,831,731	\$ 4,527,975	\$ -	\$ -	\$ 4,527,975
Academic support	1,109,432	-	-	1,109,432	1,052,329	-	-	1,052,329
Student services	1,824,659	-	-	1,824,659	1,666,579	-	-	1,666,579
Athletics	2,585,783	-	-	2,585,783	2,516,716	-	-	2,516,716
Administration and institutional support	2,156,611	-	-	2,156,611	2,052,524	-	-	2,052,524
Fundraising	686,073	-	-	686,073	804,281	-	-	804,281
Auxiliary	3,855,998	-	-	3,855,998	3,805,938	-	-	3,805,938
Total expenses	17,050,287	-	-	17,050,287	16,426,342	-	-	16,426,342
Change in net assets	3,735,130	(2,983,884)	(88,588)	662,658	221,497	3,433,004	418,340	4,072,841
Net assets, beginning of year	2,373,487	5,470,241	12,726,498	20,570,226	2,151,990	2,037,237	12,308,158	16,497,385
Net assets, end of year	<u>\$ 6,108,617</u>	<u>\$ 2,486,357</u>	<u>\$ 12,637,910</u>	<u>\$ 21,232,884</u>	<u>\$ 2,373,487</u>	<u>\$ 5,470,241</u>	<u>\$ 12,726,498</u>	<u>\$ 20,570,226</u>

See notes to financial statements.

OLIVET COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
INCREASE (DECREASE) IN CASH:		
Cash flows from operating activities:		
Change in net assets	<u>\$ 662,658</u>	<u>\$ 4,072,841</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,099,099	852,804
Contributions restricted for long-term investments and capital projects	(3,997,524)	(1,637,938)
Realized and unrealized gain (loss) on long-term investments	1,908,871	(1,717,759)
Changes in assets and liabilities:		
Student accounts and notes receivable	140,853	(123,394)
Other receivables	(108,670)	138,674
Pledges receivable	713,478	(750,492)
Inventories, prepaids, and deposits	(7,002)	(3,302)
Due from federal and state governments	27,320	26,000
Prepaid loan issuance costs	-	(51,934)
Accounts payable	930,100	(117,966)
Accrued interest payable	(63,541)	(2,574)
Accrued compensation and other liabilities	(37,897)	(461,096)
Contract - Chartwell	(100,000)	(100,969)
Student deposits	94,586	(40,501)
Change in liabilities under split-interest agreements and gift annuities	<u>212,562</u>	<u>216,903</u>
Total adjustments	<u>812,235</u>	<u>(3,773,544)</u>
Net cash provided by operating activities	<u>1,474,893</u>	<u>299,297</u>
Cash flows from investing activities:		
Purchase of land, buildings and equipment	(5,291,590)	(2,126,148)
Proceeds from sale of investments and split interest agreements	650,373	1,506,949
Purchase of investments	<u>(185,120)</u>	<u>(1,551,375)</u>
Net cash used by investing activities	<u>(4,826,337)</u>	<u>(2,170,574)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment and capital purchases	3,997,524	1,637,938
Payments of annuity obligations	(103,769)	(125,230)
Additions on long-term debt	38,000	2,067,435
Payments on long-term debt	(594,299)	(354,566)
Repayments on short-term note, less advances	(253,000)	(175,000)
Change in student loan payable - net	<u>(9,025)</u>	<u>22,517</u>
Net cash provided by financing activities	<u>3,075,431</u>	<u>3,073,094</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(276,013)	1,201,817
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,544,624</u>	<u>342,807</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,268,611</u></u>	<u><u>\$ 1,544,624</u></u>
CASH PAID FOR INTEREST	<u><u>\$ 757,610</u></u>	<u><u>\$ 742,912</u></u>

See notes to financial statements.

OLIVET COLLEGE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF THE ORGANIZATION

Established in 1844, Olivet College is a private, liberal arts institution located in south central Michigan. The College remains dedicated to its vision of *Education for Individual and Social Responsibility* by providing a quality higher education to all, regardless of gender, race or financial means. The College is home to more than 1,100 students, who study under *The Olivet Plan*. In this unique education experience, students engage in both curricular and co-curricular programs that combine real world experiences with lectures and service learning.

Beginning July 1, 2007, the College entered into a silent phase of a comprehensive campaign to improve its endowment and physical assets by seeking funds for improvements to academic buildings, athletic facilities and other infrastructure. In addition to capital improvements, funds will be secured for construction of an event center, apartment-style resident hall, and an art building.

During the year ended June 30, 2008, construction began on the \$4.3 million event center with funds pledged and received. Estimated costs to complete the project at year end were \$1,144,037.

During the year ended June 30, 2007, the College issued \$1.9 million in tax exempt financing for improvement to the heating system. Debt service on this project will be paid substantially from energy savings.

During the year ended June 30, 2008, the College entered into a leasing arrangement with a private individual for the construction of a 36 bed apartment-style residence unit. Rental revenue from the units are expected to service the lease payments on the building. At year end, the building was substantially complete with anticipated occupancy of 100%.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

- A. Basis of Accounting - The College utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred. Donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or funds are expended for the specific purpose) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Monies classified as unrestricted include all funds over which the College has discretionary control and net assets released from restrictions. The temporarily restricted classification is comprised of amounts arising from private gifts for scholarships and other needs of the College including the capital campaign. Permanently restricted net assets consist of assets to be held indefinitely primarily for scholarship purposes, the related investment income is recorded as temporarily restricted net assets.

- B. Cash and Cash Equivalents - Cash and cash equivalents consist of cash accounts and money market funds. Cash on deposit with investment managers is not considered a cash equivalent.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

- C. Investments - Investments with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the statement of activities.
- D. Accounts Receivable - The College values accounts receivable at net realizable value. An allowance for doubtful accounts is established based on review of the aging of the receivables compared with the historical collection results. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. The payment of the balance of student accounts is due at the time of registration. After 30 days, balances begin accruing service charges. Prior outstanding balances are due before the beginning of the new term. The College offers some alternative payment options upon request.
- E. Pledges Receivable - Pledges receivable are unconditional promises to give, recorded at net realizable value when the pledge is made.
- F. Notes Receivable - Notes receivable consist primarily of federally funded Perkins student loans that are to be repaid over various periods at varying interest rates, usually beginning once a student graduates. The Perkins Loan Program acts like a revolving loan fund, and the College is required to administer the loaning and collection of funds. In the event the College cannot collect a specific loan, it is turned over to the Department of Education for collection. The student loans are uncollateralized.
- G. Inventories - Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of bookstore items for resale and maintenance supplies held for consumption.
- H. Land, Buildings and Equipment - Land, buildings and equipment is stated at cost or market value at date of gift. Depreciation is computed over the estimated useful life of the assets on the straight-line method. Maintenance and repairs are charged to expense as incurred.
- I. Deferred Loan Issue Costs - Deferred loan issue costs are being amortized on the life of the related loan on a straight-line basis.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

- J. Recognition of Contribution and Other Revenue - For financial statement purposes, the College distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or funds are expended for the specific purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The related expenses are recorded as unrestricted.

The College reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as to donated assets or when funds are expended as to purchased assets.

- K. Capital Outlay and Maintenance Projects - Capital outlay projects meeting the following criteria are recorded as capital additions of the unrestricted fund:

1. New buildings and additions to buildings;
2. Renovation, remodeling or modernization projects resulting in a basic change in the use or occupancy of existing facilities and replacement of major equipment items, including vehicles;
3. Acquisition of an existing facility; and
4. Individual amounts exceeding \$1,000.

- L. Credit Risk - The College is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the College to concentrations of credit risk consist principally of cash and revenue receivable. The College's cash is deposited with various financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Concluded)

- M. Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements and the allocation of functional expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.
- N. Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 - TAX STATUS

The College is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for tax on "unrelated business income," as defined. No provision for income taxes is required.

NOTE 4 - INVESTMENTS

The fair value of investments is estimated based on quoted market prices for those of similar investments. Annually, the College budgets a spending rate transfer from endowment earnings and appreciation for operating purposes. The transfer is equal to 5% of a three-year average market value of endowment assets. For the years ended June 30, 2008 and 2007, the College withdrew \$600,000 and \$497,000 of appreciation on endowments, respectively.

Investments in endowment and other at June 30 consist of the following:

	2008	2007
Cash and money market	\$ 664,826	\$ 539,119
Corporate equities	8,378,316	11,015,587
Government obligations	364,696	176,883
Other	25,600	25,600
Total	<u>\$ 9,433,438</u>	<u>\$ 11,757,189</u>

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Concluded)

Investments in split interest agreements at June 30 consist of the following:

	2008	2007
Cash and money market	\$ 259,842	\$ 91,865
Corporate equities	2,179,903	2,555,381
Government obligations	468,386	477,070
Total	<u>\$ 2,908,131</u>	<u>\$ 3,124,316</u>

Investment income consists of the following:

	Other	Endowment	Total 2008	Total 2007
Interest and dividends, net of fees	\$ 115,313	\$ 185,002	\$ 300,315	\$ 193,466
Net realized and unrealized gain (loss)	(23,366)	(1,885,505)	(1,908,871)	1,717,759
Total	<u>\$ 91,947</u>	<u>\$ (1,700,503)</u>	<u>\$ (1,608,556)</u>	<u>\$ 1,911,225</u>

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give that are expected to be collected subsequent to June 30 are as follows:

	2008	2007
Receivable in less than one year	\$ 143,938	\$ 858,052
Receivable in one to five years	188,534	193,379
Receivable in six to ten years	-	29,846
Total	332,472	1,081,277
Less allowance for uncollectible pledges	31,000	55,000
Less discount to present value	37,951	49,278
Total pledges receivable	<u>\$ 263,521</u>	<u>\$ 976,999</u>

The pledges are recorded at their fair value at June 30, 2008 and 2007, which represents the present value of estimated future cash flows from unconditional promises to give, discounted using an interest rate of 4 percent.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Major classes of land, buildings and equipment at June 30 consist of the following:

	2008	2007
Construction in progress	\$ 3,484,253	\$ 1,926,687
Land	332,714	252,372
Land and improvements	1,486,874	797,065
Buildings and improvements	25,462,373	22,815,645
Furniture, fixtures and equipment	5,732,611	5,415,465
Artwork and collectibles	76,000	76,000
Library books	681,846	681,846
	<u>37,256,671</u>	<u>31,965,080</u>
Less accumulated depreciation	<u>14,488,448</u>	<u>13,408,076</u>
	<u>\$ 22,768,223</u>	<u>\$ 18,557,004</u>
Depreciation	<u>\$ 1,080,371</u>	<u>\$ 840,567</u>

NOTE 7 - LINE OF CREDIT

During the year ended June 30, 2008, the College maintained a bank line of credit of \$7,250,000, with interest at 30-day LIBOR rate plus 1.2 percent, actual rate at June 30, 2008 and 2007, was 3.66 and 6.52 percent. The bank line of credit is secured by all of the investment property, financial assets, cash, equity interest, instruments, and/or general intangibles, which are held in or credited to the bank. At June 30, 2008 and 2007, the outstanding balances were \$4,890,000 and \$5,143,000, respectively. Interest expense on short-term debt was \$269,996 and \$318,919 for the years ended June 30, 2008 and 2007, respectively.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following obligations:

	<u>2008</u>	<u>2007</u>
Michigan Higher Education Facilities Authority loan agreement (1999 Series), collateralized by a bank letter-of-credit agreement, bearing interest at a variable rate as adjusted by the Authority (5.10% to 5.05% at June 30, 2008 and 2007, respectively), due in annual principal and semiannual interest payments through October 1, 2019; principal payments range from \$380,000 to \$700,000.	\$ 5,720,000	\$ 6,080,000
Michigan Higher Education Facilities Authority loan agreement (2007 Series), collateralized by certain equipment, bearing interest at 4.5%, due in quarterly principal and interest payments of \$74,291 through June 15, 2015.	1,775,290	1,980,000
Note payable to bank, collateralized by equipment, due in quarterly installments of \$3,611, including interest at 6.99%, through June 15, 2015.	79,368	87,435
Note payable to bank, unsecured, due in monthly installments of \$4,520, including interest at 6.5%, through May 22, 2013.	227,207	240,647
Note payable to bank, collateralized by real estate, due in monthly installments of \$745, including interest at 6.5%, through April 24, 2013.	36,918	-
Note payable to bank, collateralized by real estate, due in monthly installments of \$905, including interest at 6.50%, balance due May 1, 2010.	<u>59,795</u>	<u>66,795</u>
Total	7,898,578	8,454,877
Long-term debt due in one year	<u>(664,680)</u>	<u>(820,140)</u>
Long-term debt	<u><u>\$ 7,233,898</u></u>	<u><u>\$ 7,634,737</u></u>

**OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - LONG-TERM DEBT (Concluded)

Debt matures as follows:

<u>Year ending June 30,</u>	
2009	\$ 664,680
2010	744,087
2011	731,124
2012	771,550
2013	810,887
2014 and after	<u>4,176,250</u>
Total	<u><u>\$ 7,898,578</u></u>

Interest expense on long-term debt was \$424,073 and \$406,544 for the years ended June 30, 2008 and 2007, respectively.

NOTE 9 - LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

Olivet College is the beneficiary of various trust and contractual agreements under which the College receives current income or will receive benefits in the future when assets are distributed.

In addition, Olivet College operates a charitable gift annuity program whereby donors receive a life income in exchange for assets conveyed to the College under an annuity contract. The College's liability under the annuity contracts is recorded at present value based on the donor's life expectancy. The discount rate used was 4.6 percent for both years ended June 30, 2008 and 2007.

NOTE 10 - RETIREMENT PLANS

Substantially all employees may elect to participate in retirement plans administered by the Teachers' Insurance and Annuity Association and/or the College Retirement Equities Fund. Under the provisions of these defined contribution pension plans, the College contributes 6 percent of an employee's earnings and the employee contributes 4 percent. College contributions amounted to \$260,142 and \$241,915 for the years ended June 30, 2008 and 2007, respectively.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - LEASES

The College leases copiers, printers, computers and a house. Lease payments amounted to \$54,546 for the year ended June 30, 2008.

Future minimum lease payments required under such leases are as follows:

<u>Year ending June 30,</u>	
2009	\$ 198,646
2010	194,067
2011	171,353
2012	157,200
2013	<u>157,200</u>
	<u><u>\$ 878,466</u></u>

During the year ended June 30, 2008, the College entered into a leasing arrangement with a private individual for the construction of a 36 bed apartment-style residence unit. The College is committed to pay approximately \$13,100 monthly beginning August 2008 for five years. The college shall have the option to renew for three successive five year terms by giving 90 days advance written notice prior to the end of each term.

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds generated from activities and transactions relating to student financial aid, reserves maintained for the servicing of the physical properties and contributions received by the College that require income earned on the assets to be paid to a designated beneficiary until death or termination of the agreement. Restrictions are satisfied either by the passage of time or actions by the College.

	Balance July 1, 2007	Additions/ Deductions	Transfers (to) from unrestricted	Balance June 30, 2008	Transfers to unrestricted 2007
Operations:					
Instruction related activities	\$ 147,255	\$ 81,057	\$ (148,240)	\$ 80,072	\$ (150,379)
Academic support activities	354	200	-	554	(6,733)
Athletic activities	68,847	353,097	(328,643)	93,301	(307,267)
Student activities	98,848	73,289	(88,095)	84,042	(61,925)
Scholarship activities	220,819	120,602	(80,127)	261,294	(151,041)
Institutional support activities	28,193	19,324	(4,030)	43,487	(45,377)
Operating and maintenance of plant	18,717	154,474	(95,463)	77,728	(48,481)
Total operations	583,033	802,043	(744,598)	640,478	(771,203)
Long-term investments:					
Earnings and appreciation on endowments	1,462,192	(1,700,503)	291,413	53,102	(501,750)
Gift annuities	143,477	-	(35,869)	107,608	-
Student loans	157,155	783	-	157,938	(124,760)
Total long-term investments	1,762,824	(1,699,720)	255,544	318,648	(626,510)
Property:					
Academic programs	929,804	282,167	(673,381)	538,590	(26,583)
Athletic facilities	570,328	377,542	(678,985)	268,885	(53,422)
Cutler Event Center	1,624,252	2,501,150	(3,418,896)	706,506	-
General campaign	-	13,250	-	13,250	-
General facilities	-	198,525	(198,525)	-	-
	3,124,384	3,372,634	(4,969,787)	1,527,231	(80,005)
Cutler Event Center - investment income	-	65,357	(65,357)	-	-
Total Property	3,124,384	3,437,991	(5,035,144)	1,527,231	(80,005)
Total temporarily restricted	\$ 5,470,241	\$ 2,540,314	\$ (5,524,198)	\$ 2,486,357	\$ (1,477,718)
				2008	2007
Transfer to unrestricted operations budgeted amount				\$ (600,000)	\$ (497,000)
Transfer to unrestricted operations other				(27,239)	(4,750)
Transfer from unrestricted required by unrealized loss in market value				918,652	-
Total				\$ 291,413	\$ (501,750)

OLIVET COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of funds generated from transactions and activities relating to contributions received by the College, with permanent donor imposed restrictions placed over the use of the funds.

	Balance July 1, 2007	Gifts	Actuarial change in value	Investment income (loss)	Balance June 30, 2008
Split interest agreements:					
Scholarship and honorariums	\$ 1,598,316	\$ -	\$ (1,074)	\$ (127,010)	\$ 1,470,232
General activities of the College	870,864	-	50,978	(63,987)	857,855
Total split interest agreements	2,469,180	-	49,904	(190,997)	2,328,087
Permanently restricted for endowment:					
Scholarship and honorariums	6,644,599	42,805	-	-	6,687,404
Buildings and equipment	711,840	-	-	-	711,840
Public speaking	32,175	-	-	-	32,175
General activities of the College	2,868,704	9,700	-	-	2,878,404
Total endowments	10,257,318	52,505	-	-	10,309,823
Total	\$ 12,726,498	\$ 52,505	\$ 49,904	\$ (190,997)	\$ 12,637,910
				2008	2007
Actuarial change in value				\$ 49,904	\$ (105,494)
Investment income (loss)				(190,997)	346,871
Total				\$ (141,093)	\$ 241,377

NOTE 14 - CONTRACT - CHARTWELL

On January 12, 2005, the College entered into an agreement with Compass Group USA, Inc. by and through its Chartwell Division to manage the College's food service program including catering service on the campus of Olivet College.

In exchange for a 10 year contract expiring June 30, 2015, as amended by the agreement signed May 19, 2005, Chartwell's funded an investment in the College's premises to facilitate the performance of services and provide a signing bonus.

The total investment amounted to \$1,100,000. The investment is to be amortized over the remaining life of the contract, calculated on a straight-line basis. If the agreement is terminated for any reason prior to June 30, 2015, the College is liable for the unamortized portion, currently \$800,000 at June 30, 2008.

NOTE 15 - CONTINGENCIES

The College participates in various student financial aid programs, which are subject to audit by grantor agencies. Any disallowed claims, including amounts already used may constitute a liability to the College. In the opinion of management, the liability, if any, would be immaterial.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audits of the basic financial statements of Olivet College for the years ended June 30, 2008 and 2007 appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 18 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costeniser & Ellis, P.C.

September 26, 2008

OLIVET COLLEGE
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2008

	Operations	Student Loan	Long-term Investment	Property	Eliminations	Total
ASSETS						
Cash	\$ 205,744	\$ 1,743	\$ -	\$ -	\$ -	\$ 207,487
Cash and equivalents held for investment purposes	192,272	6,736	7,651	-	-	206,659
Cash and equivalents invested for comprehensive campaign	854,465	-	-	-	-	854,465
Student accounts receivable (less allowance of \$545,279)	573,592	-	-	-	-	573,592
Other receivables	173,406	-	-	-	-	173,406
Due from federal and state governments	25,780	-	-	-	-	25,780
Inventory - maintenance supplies	177,400	-	-	-	-	177,400
Inventory - bookstore	170,853	-	-	-	-	170,853
Deposits, prepaid expenses and other assets	25,490	-	2,000	-	-	27,490
Pledges receivable (less allowance of \$31,000)	203,420	-	60,101	-	-	263,521
Due from other funds	-	142,809	1,290,360	1,527,231	(2,960,400)	-
Federal student notes receivable (less allowance of \$323,000)	-	1,620,947	-	-	-	1,620,947
Land, buildings and equipment - net of accumulated depreciation	-	-	-	22,768,223	-	22,768,223
Investments	30,613	-	9,402,825	-	-	9,433,438
Beneficial interest in split-interest agreements	-	-	2,908,131	-	-	2,908,131
Deferred loan issuance costs (net of accumulated amortization of \$110,602)	-	-	-	186,065	-	186,065
Total assets	<u>\$ 2,633,035</u>	<u>\$ 1,772,235</u>	<u>\$ 13,671,068</u>	<u>\$ 24,481,519</u>	<u>\$ (2,960,400)</u>	<u>\$ 39,597,457</u>

	Operations	Student loan	Long-term investment	Property	Eliminations	Total
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable - trade	\$ 523,721	\$ -	\$ -	\$ -	\$ -	\$ 523,721
Accounts payable - construction	1,029,647	-	-	-	-	1,029,647
Accrued compensation and other liabilities	600,802	-	-	-	-	600,802
Accrued interest payable	17,254	-	-	-	-	17,254
Student deposits	288,367	-	-	-	-	288,367
Short-term notes payable	4,890,000	-	-	-	-	4,890,000
Due to other funds	2,960,400	-	-	-	(2,960,400)	-
Contract - Chartwell	-	-	-	800,000	-	800,000
Federal student loan payable	-	1,614,297	-	-	-	1,614,297
Long-term debt	-	-	-	7,233,898	-	7,233,898
Long-term liabilities due in one year	-	-	-	664,680	-	664,680
Liabilities under split-interest agreements	-	-	580,044	-	-	580,044
Liabilities under gift annuities	-	-	121,863	-	-	121,863
Total liabilities	10,310,191	1,614,297	701,907	8,698,578	(2,960,400)	18,364,573
Net assets (deficiency):						
Unrestricted:						
Board designated	-	-	170,541	-	-	170,541
Available for operations	(8,317,634)	-	-	-	-	(8,317,634)
Net investment in plant	-	-	-	14,255,710	-	14,255,710
Total unrestricted net assets (deficiency)	(8,317,634)	-	170,541	14,255,710	-	6,108,617
Temporarily restricted net assets	640,478	157,938	160,710	1,527,231	-	2,486,357
Permanently restricted net assets	-	-	12,637,910	-	-	12,637,910
Total net assets (deficiency)	(7,677,156)	157,938	12,969,161	15,782,941	-	21,232,884
Total liabilities and net assets	\$ 2,633,035	\$ 1,772,235	\$ 13,671,068	\$ 24,481,519	\$ (2,960,400)	\$ 39,597,457

OLIVET COLLEGE
COMBINING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Operations		Student loan	Long-term investments			Property			
	Unrestricted	Temporarily restricted	Temporarily restricted	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Eliminations	Total
Operating Activities:										
Education and general - revenue:										
Tuition and fees	\$ 17,437,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,437,128
Less: Scholarships and other student aid	7,272,690	-	-	-	-	-	-	-	-	7,272,690
Net tuition and fees	10,164,438	-	-	-	-	-	-	-	-	10,164,438
Contributions - annual fund	422,847	460,477	-	-	-	-	-	-	-	883,324
Governmental grants and contracts	34,918	-	-	-	-	-	-	-	-	34,918
Interest and dividends	44,372	-	783	2,225	185,002	-	2,576	65,357	-	300,315
Budgeted income from endowment	600,000	-	-	-	-	-	-	-	(600,000)	-
Miscellaneous income	197,322	341,566	-	-	-	-	100,000	-	-	638,888
Less assets released from restrictions	845,824	(744,598)	-	-	(35,869)	-	-	(65,357)	-	-
Total education and general revenue	12,309,721	57,445	783	2,225	149,133	-	102,576	-	(600,000)	12,021,883
Education and general - expenses:										
Instruction	4,405,243	-	-	-	-	-	426,488	-	-	4,831,731
Academic support	1,002,810	-	-	-	-	-	106,622	-	-	1,109,432
Student services	1,778,964	-	-	-	-	-	45,695	-	-	1,824,659
Athletics	2,281,148	-	-	-	-	-	304,635	-	-	2,585,783
Administration and institutional support	2,080,452	-	-	-	-	-	76,159	-	-	2,156,611
Fundraising	655,610	-	-	-	-	-	30,463	-	-	686,073
Total education and general expenses	12,204,227	-	-	-	-	-	990,062	-	-	13,194,289
Excess (deficiency) of revenue over expenses - education and general	105,494	57,445	783	2,225	149,133	-	(887,486)	-	(600,000)	(1,172,406)
Auxiliary activities - revenue:										
Residence halls	1,769,103	-	-	-	-	-	-	-	-	1,769,103
Dining	1,565,703	-	-	-	-	-	-	-	-	1,565,703
Bookstore	519,371	-	-	-	-	-	-	-	-	519,371
Conferences	271,476	-	-	-	-	-	-	-	-	271,476
Total auxiliary activities revenue	4,125,653	-	-	-	-	-	-	-	-	4,125,653

	Operations		Student loan	Long-term investments			Property			
	Unrestricted	Temporarily restricted	Temporarily restricted	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Eliminations	Total
Auxiliary activities - expenses:										
Residence halls	\$ 235,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,875
Dining	1,401,482	-	-	-	-	-	-	-	-	1,401,482
Bookstore	480,981	-	-	-	-	-	-	-	-	480,981
Conferences	258,017	-	-	-	-	-	-	-	-	258,017
Other	76,252	-	-	-	-	-	-	-	-	76,252
Indirect expenses	870,281	-	-	-	-	-	533,110	-	-	1,403,391
Total auxiliary activities expenses	3,322,888	-	-	-	-	-	533,110	-	-	3,855,998
Excess of revenue over expenses - auxiliary activities	802,765	-	-	-	-	-	(533,110)	-	-	269,655
Increase (decrease) in net assets from operating activities	908,259	57,445	783	2,225	149,133	-	(1,420,596)	-	(600,000)	(902,751)
Nonoperating Activities:										
Comprehensive campaign net contributions	-	-	-	-	-	-	-	3,372,634	-	3,372,634
Additions to properties	(5,291,590)	-	-	-	-	-	5,291,590	-	-	-
Principal payments on long term debt	(594,299)	-	-	-	-	-	594,299	-	-	-
Proceeds related to long term debt	38,000	-	-	-	-	-	(38,000)	-	-	-
Change in split-interest agreements	-	-	-	-	-	(141,093)	-	-	-	(141,093)
Net realized and unrealized loss on investments	-	-	-	(23,366)	(1,885,505)	-	-	-	-	(1,908,871)
Transfer, maintain corpus	(918,652)	-	-	-	918,652	-	-	-	-	-
Transfer, budgeted income from endowment	-	-	-	-	(600,000)	-	-	-	600,000	-
Transfer, restrictions met	4,969,787	-	-	-	-	-	-	(4,969,787)	-	-
Transfer, interest on long-term debt	(424,073)	-	-	-	-	-	424,073	-	-	-
Transfer, Board designated	145,000	-	-	(145,000)	-	-	-	-	-	-
Transfer, from endowment	27,239	-	-	-	(27,239)	-	-	-	-	-
Transfer, June 2007 unspent bond proceeds	89,237	-	-	-	-	-	(89,237)	-	-	-
Transfer, interest on unspent bond proceeds	2,576	-	-	-	-	-	(2,576)	-	-	-
Contributions and bequests for endowment and gift annuities	-	-	-	190,234	-	52,505	-	-	-	242,739
Increase (decrease) from nonoperating activities	(1,956,775)	-	-	21,868	(1,594,092)	(88,588)	6,180,149	(1,597,153)	600,000	1,565,409
Increase (decrease) in net assets	(1,048,516)	57,445	783	24,093	(1,444,959)	(88,588)	4,759,553	(1,597,153)	-	662,658
Net assets (deficiency), beginning of year	(7,269,118)	583,033	157,155	146,448	1,605,669	12,726,498	9,496,157	3,124,384	-	20,570,226
Net assets (deficiency), end of year	\$ (8,317,634)	\$ 640,478	\$ 157,938	\$ 170,541	\$ 160,710	\$ 12,637,910	\$ 14,255,710	\$ 1,527,231	\$ -	\$ 21,232,884

Note: Unrestricted property expenses include indirect expenses related to depreciation of \$1,080,371, amortization of \$18,728 and long-term interest of \$424,073

OLIVET COLLEGE
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2008

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Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Olivet College

We have audited the financial statements of Olivet College as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Olivet College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olivet College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Olivet College in a separate letter dated September 26, 2008.

This report is intended solely for the information and use of the board of trustees, management, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Mamie Costeniser & Ellis, P.C.

September 26, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Olivet College

Compliance

We have audited the compliance of Olivet College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Olivet College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Olivet College's management. Our responsibility is to express an opinion on Olivet College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Olivet College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Olivet College's compliance with those requirements.

In our opinion, Olivet College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Olivet College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Olivet College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Olivet College's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Olivet College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Olivet College as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Olivet College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of board of trustees, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mayer, Costenizer & Ellis, P.C.

September 26, 2008

OLIVET COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal grantor/pass-through grantor/ Program title	Federal CFDA number	Award amount	Current year expenditures
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Federal Pell Grant Program	84.063	\$ 1,597,345	<u>\$ 1,597,345</u>
Federal Supplemental Education Opportunity Grant	84.007	155,374	<u>155,374</u>
Federal Work Study Program	84.033	140,610	<u>140,610</u>
Academic Competitiveness Grant	84.375	41,050	<u>41,050</u>
National Science and Mathematics Access To Retain Talent Grant	84.376	34,000	<u>34,000</u>
Federal Perkins Loan Expenditures	84.038	N/A	<u>365,676</u>
Federal Family Education Loan Program:			
Federal Subsidized Stafford Loans	84.032	N/A	3,368,736
Federal Unsubsidized Stafford Loans	84.032	N/A	2,547,658
Federal PLUS Loans	84.032	N/A	<u>438,285</u>
Total Federal Family Education Loan Program			<u>6,354,679</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 8,688,734</u></u>

See Note 3 on page 6 regarding Federal Perkins Loan Program.

See Note 4 on page 6 regarding Federal Family Education Loan Program.

The accompanying notes are an
integral part of this schedule.

OLIVET COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Olivet College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The Student Financial Aid Cluster, CFDA #84.063, #84.007, #84.033, #84.375, #84.376, #84.032 and #84.038, was audited as the major program.
3. The College had Perkins loan balances outstanding at June 30, 2008 of \$1,853,520. The Perkins loan expenditures for the year ended June 30, 2008 consist of new loan advances. The expenditures were funded by collections (principal and interest) on prior loans.
4. The College administers the Federal Family Education Loan (FFEL) Program (CFDA # 84.032). During fiscal year 2007-2008 students received \$6,354,679 of new FFEL loans. These funds were received directly by the students of the College and any interest or other costs related to these loans were received directly by the lender not Olivet College.

**OLIVET COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.032, 84.038, 84.375, 84.376	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**OLIVET COLLEGE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no prior audit findings in the previous two years.



Lamonte T. Lator
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Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
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Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

September 26, 2008

To the Audit Committee of
Olivet College

In planning and performing our audit of the financial statements of Olivet College as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Olivet College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 26, 2008 on the financial statements of Olivet College. Our comments are summarized as follows.

PRIOR YEAR COMMENTS

Student Financial Aid Continued Oversight

Status: Various immaterial inconsistencies were encountered during the FY-07 audit of student financial aid. The College reemphasized its commitment to achieving the highest quality review and documentation standards and appointed a new Director of Financial Aid. There were no inconsistencies noted during our testing of student financial aid for FY-08. We believe management has appropriately addressed this issue.

CURRENT YEAR COMMENTS

403(b) Retirement Plans

Beginning with 2009 Form filings, 403(b) employee benefit plans sponsored by non-profit organizations will be subject to the same reporting and audit requirements that currently exist for 401(k) plans. Basically, the reporting requirements are filing an annual Form 5500. Plans with under 100 eligible participants can file the "short" Form 5500, while plans with 100 or more eligible participants must file a complete Form 5500, and audited financial statements must be attached.

Many plans face significant challenges in establishing plan accounting records and proper controls, identifying all participant accounts to be included as plan assets, determining beginning account balances (as comparative balances will be required), obtaining other financial information to be included in the plan's financial statements, and obtaining an unqualified opinion on the plan's financial statements from the independent auditor.

IRS Releases New Form 990

The IRS has released the final version of a redesigned Form 990 that will be used for the 2008 tax year. As a result of these significant changes to the Form 990, organizations must plan and take action to get ready for the 2008 filing. The final form is much more comprehensive. The new form consists of an 11-page core form and 16 possible schedules.

The following are highlights of the revised form:

Two Year comparative financial data

Statement of Program service accomplishments

Statement Regarding other IRS filings and tax compliance

Governance questions covering the following:

- Independence
- Conflict of Interest
- Compensation
- Whistleblower
- Document retention
- Review of joint ventures
- Review of Form 990

Compensation section

Statement of Revenue

Statement of Functional Expenses

The new schedules cover the following areas:

Schedule A Public charity status and public support

Schedule B contributors

Schedule C Political Campaign and Lobbying

Schedule D Supplemental Financial statements

Schedule E Schools

Schedule F Statement of Activities outside the United States

Schedule G Fundraising and Gaming

Schedule H Hospitals

Schedule I Grants and other assistance (U.S.)

Schedule I Supplemental compensation information

Schedule K Tax exempt bonds

Schedule L transactions with interested persons

Schedule M Non-cash contributions

Schedule N Liquidation, termination, dissolution, or significant disposition of assets

Schedule O Supplemental information to form 990

Schedule R Related organization and unrelated partnerships

For more detailed information go to the IRS website, charities and nonprofits section.

As you can see, the changes are significant and comprehensive. We recommend you review the changes that affect your organization and devise a plan now to consider changes to your governance policies, and information reporting procedures necessary to obtain the new information required to be reported in the future. For more information please feel free to contact us to assist you in this area

Uninsured Bank Deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and time deposit accounts (savings/certificates of deposit). The College may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the College's investment policy to ensure it continues to satisfy the College's goals.

Conclusion

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Olivet College, management, and others within the College, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from you staff during our engagement and the opportunity to be of service.

Very truly yours,

Mary Costenaro & Ellis, P.C.



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September 26, 2008

To the Audit Committee of
Olivet College

We have audited the financial statements of Olivet College for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated May 22, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Olivet College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Olivet College's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Olivet College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Olivet College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Olivet College's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 9, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Olivet College are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Allowance on receivables - Pledges, student accounts and notes receivable have allowances assessed on the amount management expects to collect on outstanding balances. This estimate is based on historical collections, and amounts the College has determined are still collectible. Our conclusion regarding the reasonableness of the estimates is based on our review of the aging of the accounts and amounts collected subsequent to year end.

Split interest agreement liabilities - The liability on annuity contracts and trusts is based upon the present value of the estimated future payments to be distributed by the College to donors with gift annuity contracts. Management estimates this liability through published mortality rates, and assumed interest rates. Our conclusion regarding the reasonableness of the estimate is based reviewing the key assumptions made for reasonableness and recalculating a sample of the contracts.

UST remediation payable - The liability on the environmental remediation payable is based upon an estimate provided by the Michigan Department of environmental quality of cost required to clean the area contaminated by a leaking fuel tank and continual monitoring of the MTBE levels in ground water. We reviewed documentation relating to the leak and on going communication with the state and believe the liability is reasonable.

Functional expenses - The functional expenses are allocated based on salary expense and building square footage and its related function. We evaluated the key factors and assumptions used to develop the estimates in determining whether they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costenizer & Ellis, P.C.